

COUNTY AUDIT

OTTAWA COUNTY

For the fiscal year ended June 30, 2013



*Independently serving the citizens of
Oklahoma by promoting the
accountability and fiscal integrity of
governmental funds.*



Oklahoma State
Auditor & Inspector
Gary A. Jones, CPA, CFE

**OTTAWA COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 171, has not been printed, but is available on the agency's website (www.sai.ok.gov) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Prairie Collection (<http://digitalprairie.ok.gov/cdm/search/collection/audits/>) pursuant to 65 O.S. § 3-114.



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

June 9, 2017

TO THE CITIZENS OF
OTTAWA COUNTY, OKLAHOMA

Transmitted herewith is the audit of Ottawa County, Oklahoma for the fiscal year ended June 30, 2013. The audit was conducted in accordance with 19 O.S. § 171.

A report of this type can be critical in nature. Failure to report commendable features in the accounting and operating procedures of the entity should not be interpreted to mean that they do not exist.

The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during our engagement.

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is fluid and cursive, with a large initial "G" and a long, sweeping tail.

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

**OTTAWA COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

TABLE OF CONTENTS

INTRODUCTORY SECTION (Unaudited)

Statistical Information.....	iii
County Officials.....	iv
Ad Valorem Tax Distribution	v
Assessed Value of Property Trend Analysis.....	vi
County General Fund Analysis	vii
County Highway Fund Analysis	viii

FINANCIAL SECTION

Report of State Auditor and Inspector	1
Financial Statement:	
Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis (with Combining Information)—Major Funds.....	4
Notes to the Financial Statement.....	5

OTHER SUPPLEMENTARY INFORMATION

Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—County General Fund.....	11
Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—County Health Department Fund.....	12
Combining Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis—Remaining Aggregate Funds	13
Notes to Other Supplementary Information	14
Schedule of Expenditures of Federal Awards	16
Note to the Schedule of Expenditures of Federal Awards.....	17

**OTTAWA COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

INTERNAL CONTROL AND COMPLIANCE SECTION

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance With
Government Auditing Standards..... 18

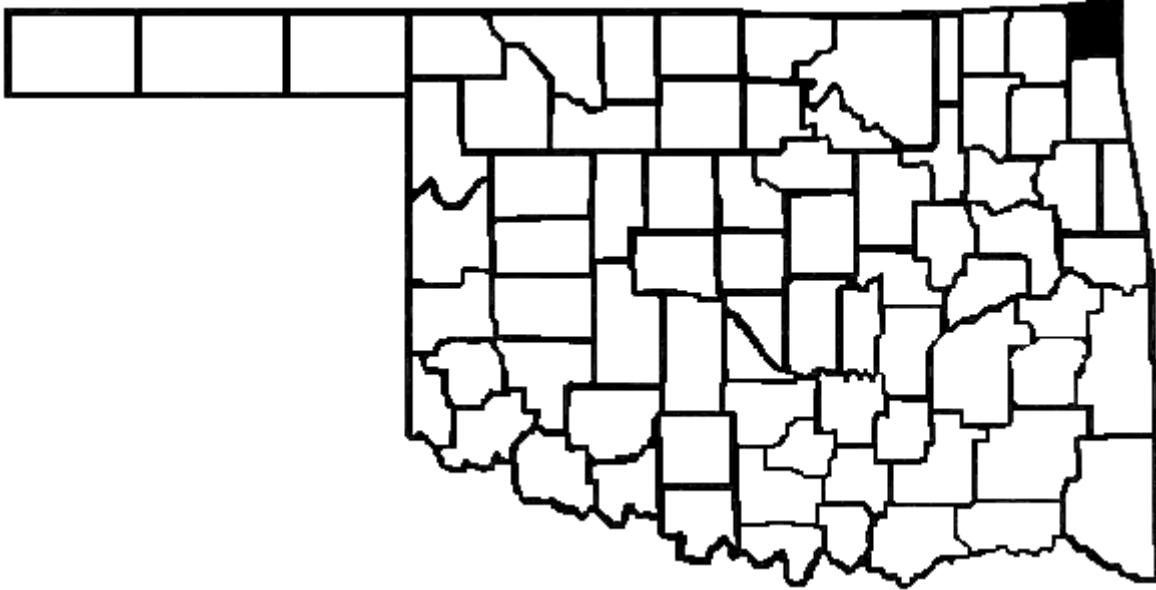
Independent Auditor's Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by OMB Circular A-133 20

Schedule of Findings and Questioned Costs..... 23

Schedule of Prior Year Findings and Questioned Costs 38

INTRODUCTORY SECTION
UNAUDITED INFORMATION ON PAGES iii - viii
PRESENTED FOR INFORMATIONAL PURPOSES ONLY

**OTTAWA COUNTY, OKLAHOMA
STATISTICAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**



The extreme northeastern county of Oklahoma, bordering Kansas and Missouri, is named for the Ottawa Indians. But Ottawa comes from the Algonquian term adawe, meaning to “buy and sell.” This county has been the home to members of a greater number of Indian tribes than any other county in the United States.

With 71 percent of the total land area in farms, as much as 60 percent of the county’s agricultural income is from livestock and dairy products, and the rest from such crops as wheat, corn, grain, sorghums, soybeans, and grass. The early existence of a vast lead and zinc field is evident from huge mountains of chat still present in the northern part of the country.

Northeastern Oklahoma A&M College is located at Miami, the county seat. Industries in the county include clothing, furniture, boat, metal and leather manufacturing, mushroom cultivation, and concrete and block production.

Two books, *Pictorial Reflections of Ottawa County* and *History of Ottawa County*, have been written about the county. For additional information, contact the Ottawa County Historical Society or call the County Clerk’s office at 918/542-3332.

County Seat – Miami

Area – 484.73 Square Miles

County Population – 32,236
(2012 est.)

Farms – 1,160

Land in Farms – 237,986 Acres

Primary Source: Oklahoma Almanac 2013-2014

Board of County Commissioners

District 1 – John Clarke
District 2 – Gary Wyrick
District 3 – Russell Earls

County Assessor

Linda Kelly

County Clerk

Reba Sill

County Sheriff

Terry Durborow

County Treasurer

Kathy Bowling

Court Clerk

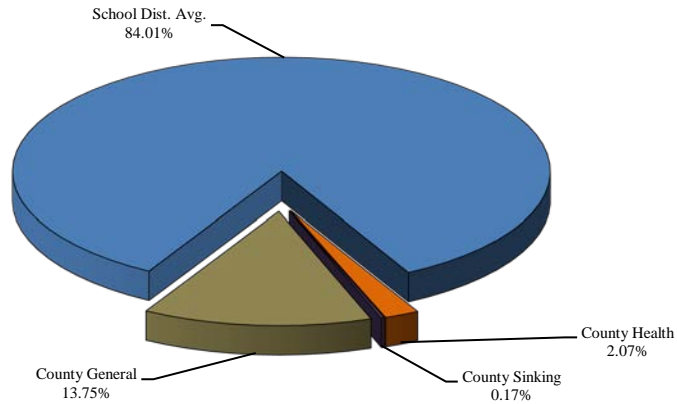
Cassie Key

District Attorney

Eddie Wyant

**OTTAWA COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

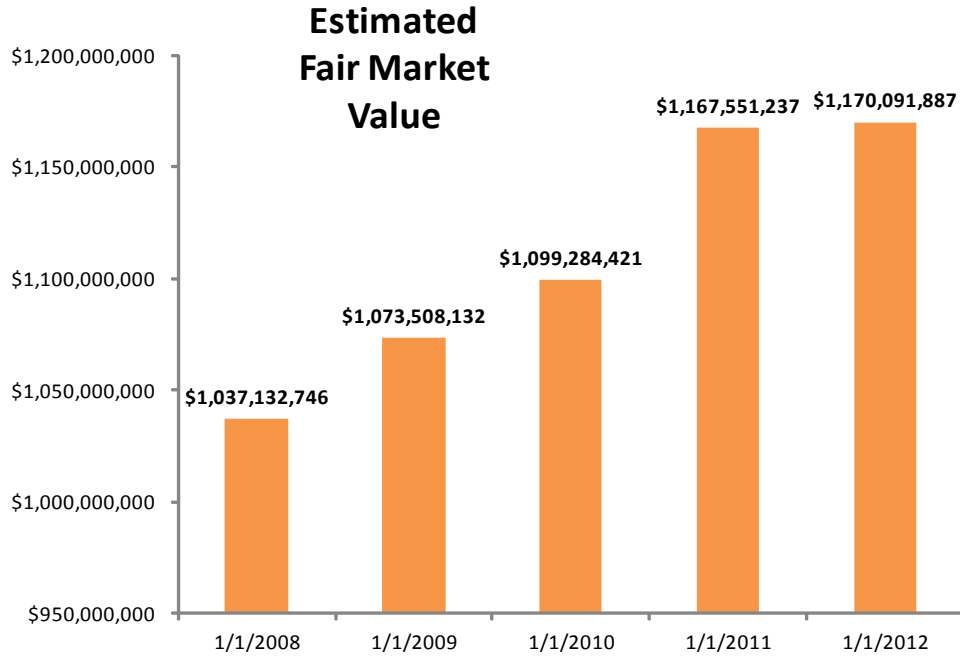
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the tax on that property is \$1.00. This chart shows the different entities of the County and their share of the various millages as authorized by the Constitution.



County-Wide Millages		School District Millages							
		Career							
		Gen.	Bldg.	Skg.	Tech	Common	Total		
County General	10.24								
County Health	1.54	Turkey Ford	D-10	36.89	5.27	3.17	11.26	4.10	60.69
County Sinking	0.13	Wyandotte	I-1	36.46	5.21	6.95	11.26	4.10	63.98
		Quawpaw	I-14	35.78	5.11	-	11.26	4.10	56.25
		Commerce	I-18	35.56	5.08	-	11.26	4.10	56.00
Other		Miami	I-23	35.70	5.10	10.93	11.26	4.10	67.09
Miami School District 23 EMS	3.07	Afton	I-26	36.08	5.15	-	11.26	4.10	56.59
		Fairland	I-31	36.04	5.15	9.84	11.26	4.10	66.39
		Neosho Valley	I-17	35.46	5.07	17.71	11.26	4.10	73.60

**OTTAWA COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 TREND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

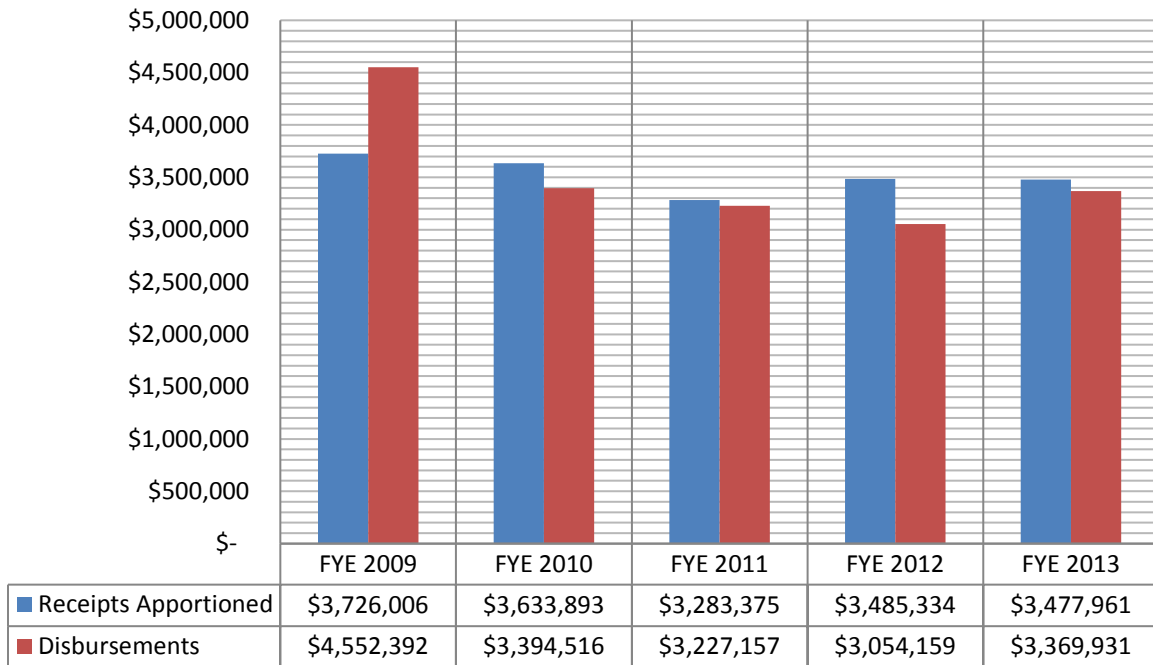
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2012	\$30,203,387	\$18,449,042	\$101,231,565	\$7,972,403	\$141,911,591	\$1,170,091,887
1/1/2011	\$24,950,481	\$18,576,433	\$97,483,267	\$7,909,340	\$133,100,841	\$1,167,551,237
1/1/2010	\$23,161,033	\$16,477,423	\$93,656,350	\$7,976,382	\$125,318,424	\$1,099,284,421
1/1/2009	\$23,624,031	\$15,783,508	\$90,754,875	\$7,782,487	\$122,379,927	\$1,073,508,132
1/1/2008	\$23,282,161	\$14,684,431	\$87,923,743	\$7,657,202	\$118,233,133	\$1,037,132,746



**OTTAWA COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

County General Fund

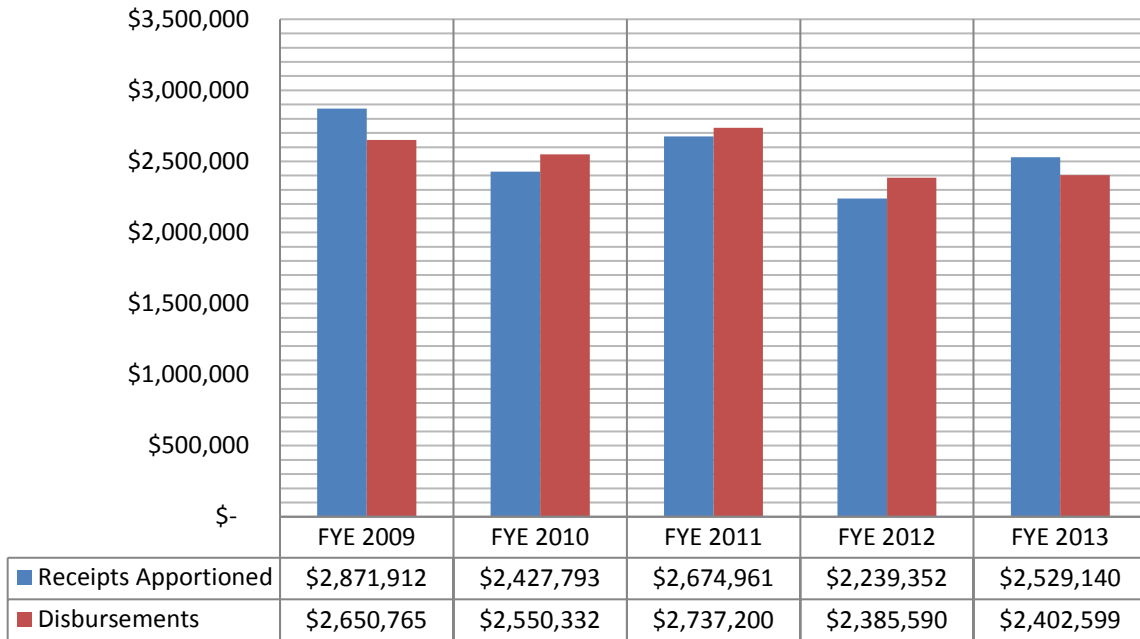
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also provides revenue for various budget accounts and accounts that support special services and programs. The Board of County Commissioners must review and approve all expenditures made from the County General Fund. The primary revenue source for the County General Fund is usually the county's ad valorem tax collected on real, personal (if applicable), and public service property. Smaller amounts of revenue can come from other sources such as fees, sales tax, use tax, state transfer payments, in-lieu taxes, and reimbursements. The chart below summarizes receipts and disbursements of the County's General Fund for the last five fiscal years.



**OTTAWA COUNTY, OKLAHOMA
COUNTY HIGHWAY FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

County Highway Fund

The County receives major funding for roads and highways from a state imposed fuel tax. Taxes are collected by the Oklahoma Tax Commission. Taxes are imposed on all gasoline, diesel, and special fuel sales statewide. The County's share is determined on formulas based on the County population, road miles, and land area and is remitted to the County monthly. These funds are earmarked for roads and highways only and are accounted for in the County Highway Fund. The chart below summarizes receipts and disbursements of the County's Highway Fund for the last five fiscal years.



FINANCIAL SECTION



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

Independent Auditor's Report

TO THE OFFICERS OF
OTTAWA COUNTY, OKLAHOMA

Report on the Financial Statement

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Ottawa County, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statement, which collectively comprise the County's basic financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the regulatory basis of accounting described in Note 1, and for determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by Ottawa County using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Ottawa County as of June 30, 2013, or changes in its financial position for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Ottawa County, for the year ended June 30, 2013, in accordance with the basis of accounting described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. The accompanying Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the remaining Other Supplementary Information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statement.

The Schedule of Expenditures of Federal Awards and the Other Supplementary Information, as listed in the table of contents, is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and the Other Supplementary Information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the combined total—all county funds.

The information listed in the table of contents under Introductory Section has not been subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2017, on our consideration of Ottawa County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering Ottawa County's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is written in a cursive style with a long horizontal stroke at the end.

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

June 8, 2017

REGULATORY BASIS FINANCIAL STATEMENT

OTTAWA COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
(WITH COMBINING INFORMATION)—MAJOR FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Beginning Cash Balances July 1, 2012	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2013
Combining Information:				
Major Funds:				
County General Fund	\$ 1,051,618	\$ 3,477,961	\$ 3,369,931	\$ 1,159,648
County Sales Tax	1,888	-	-	1,888
County Health	266,154	241,472	118,896	388,730
Bureau of Indian Affairs (BIA) Highway	4,201,894	1,005,484	2,074,679	3,132,699
Highway	1,152,102	2,529,140	2,402,599	1,278,643
Highway 1/2 Cent Sales Tax	1,071,831	1,227,717	1,470,639	828,909
Courthouse Building Authority Sales Tax	308,338	575,974	486,067	398,245
MIDA Rawlins Sinking	32,229	18,540	19,650	31,119
Firefighters Sales Tax	209,409	230,739	195,586	244,562
Board of Prisoners	184,969	523,530	551,628	156,871
Repetitive Flood Claims Grant (RFC)	-	713,454	713,454	-
County Bridge and Road Improvement Fund	118,931	242,876	78,986	282,821
Remaining Aggregate Funds	442,080	725,987	699,539	468,528
Combined Total - All County Funds	<u>\$ 9,041,443</u>	<u>\$ 11,512,874</u>	<u>\$ 12,181,654</u>	<u>\$ 8,372,663</u>

The notes to the financial statement are an integral part of this statement.

**OTTAWA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

1. Summary of Significant Accounting Policies

A. Reporting Entity

Ottawa County is a subdivision of the State of Oklahoma created by the Oklahoma Constitution and regulated by Oklahoma Statutes.

The accompanying financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds under the control of the primary government. The general fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund, where its use is restricted for a specified purpose. Other funds established by statute and under the control of the primary government are also presented.

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including emergency medical districts, school districts, and cities and towns. The cash receipts and disbursements attributable to those other entities do not appear in funds on the County's financial statement; those funds play no part in the County's operations. Any trust or agency funds maintained by the County are not included in this presentation.

B. Fund Accounting

The County uses funds to report on receipts, disbursements, and changes in cash balances. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Following are descriptions of the county funds included as combining information within the financial statement:

County General Fund – accounts for the general operations of the government with revenues from ad valorem taxes, officer's fees, sales tax, interest earnings, and miscellaneous collections of the County.

County Sales Tax – accounts for revenues from interest earnings. This is the residual balance of sales tax collected for the construction of the County jail. Disbursements are for capital improvements to the jail.

County Health – accounts for ad valorem taxes, miscellaneous fees charged by the health department, and state and federal funds. Disbursements are from the operation of the county health department.

Bureau of Indian Affairs (BIA) Highway – accounts for money received for construction and improvement of roads and bridges on Indian land within the County.

**OTTAWA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Highway – accounts for revenues from state imposed fuel taxes. Disbursements are for the maintenance and construction of county roads and bridges.

Highway ½ Cent Sales Tax – accounts for the collections of sales tax revenue and the disbursement of funds are for the construction of county roads and bridges as restricted by the sales tax ballot.

Courthouse Building Authority Sales Tax – accounts for the collections of sales tax revenue and the disbursement of funds are for the County Courthouse facilities and to pay the principal and interest on indebtedness on behalf of the County by the Ottawa County Governmental Building Authority as restricted by the sales tax ballot.

MIDA Rawlins Sinking – accounts for revenues from ad valorem taxes and interest earnings. Disbursements are for the payment of principal and interest on bonds and judgments against the County.

Firefighters Sales Tax – accounts for the collections of sales tax revenue and disbursement of funds are for general operation, maintenance, training, and construction of new fire department buildings or improvements to existing fire department buildings as restricted by the sales tax ballot.

Board of Prisoners – accounts for revenues from fees charged for boarding prisoners of non-county entities in the county jail. Disbursements are for feeding and housing inmates of the county jail as restricted by statute.

Repetitive Flood Claims Grant (RFC) – accounts for revenues from grant money received from the U.S. Department of Homeland Security. Disbursements are for qualifying participants in Ottawa County with repetitively sustained flood damage to their property.

County Bridge and Road Improvement Fund – accounts for state money received for construction and/or improvement of bridges within the County.

C. Basis of Accounting

The financial statement is prepared on a basis of accounting wherein amounts are recognized when received or disbursed. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred. This regulatory basis financial presentation is not a comprehensive measure of economic condition or changes therein.

Title 19 O.S. § 171 specifies the format and presentation for Oklahoma counties to present their financial statement in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) or on a regulatory basis. The County has elected to present their

**OTTAWA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

financial statement on a regulatory basis in conformity with Title 19 O.S. § 171. County governments (primary only) are required to present their financial statements on a fund basis format with, at a minimum, the general fund and all other county funds, which represent ten percent or greater of total county revenue. All other funds included in the audit shall be presented in the aggregate in a combining statement.

D. Budget

Under current Oklahoma Statutes, a general fund and a county health department fund are the only funds required to adopt a formal budget. On or before the first Monday in July of each year, each officer or department head submits an estimate of needs to the governing body. The budget is approved for the respective fund by office, or department and object. The County Board of Commissioners may approve changes of appropriations within the fund by office or department and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

E. Cash and Investments

For the purposes of financial reporting, “Ending Cash Balances, June 30” includes cash and cash equivalents and investments as allowed by statutes. The County pools the cash of its various funds in maintaining its bank accounts. However, cash applicable to a particular fund is readily identifiable on the County’s books. The balance in the pooled cash accounts is available to meet current operating requirements.

State statutes require financial institutions with which the County maintains funds to deposit collateral securities to secure the County’s deposits. The amount of collateral securities to be pledged is established by the County Treasurer; this amount must be at least the amount of the deposit to be secured, less the amount insured (by, for example, the FDIC).

The County Treasurer has been authorized by the County’s governing board to make investments. Allowable investments are outlined in statutes 62 O.S. § 348.1 and § 348.3.

All investments must be backed by the full faith and credit of the United States Government, the Oklahoma State Government, fully collateralized, or fully insured. All investments as classified by state statute are nonnegotiable certificates of deposit. Nonnegotiable certificates of deposit are not subject to interest rate risk or credit risk.

2. Ad Valorem Tax

The County's property tax is levied each October 1 on the assessed value listed as of January 1 of the same year for all real and personal property located in the County, except certain exempt property. Assessed values are established by the County Assessor within the prescribed guidelines established by the Oklahoma Tax Commission and the State Equalization Board. Title 68 O.S. §

**OTTAWA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

2820.A. states, ". . . Each assessor shall thereafter maintain an active and systematic program of visual inspection on a continuous basis and shall establish an inspection schedule which will result in the individual visual inspection of all taxable property within the county at least once each four (4) years."

Taxes are due on November 1 following the levy date, although they may be paid in two equal installments. If the first half is paid prior to January 1, the second half is not delinquent until April 1. The County Treasurer, according to the law, shall give notice of delinquent taxes and special assessments by publication once a week for two consecutive weeks at any time after April 1, but prior to the end of September following the year the taxes were first due and payable. Unpaid real property taxes become a lien upon said property after the treasurer has perfected the lien by public notice.

Unpaid delinquent personal property taxes are published usually in May. If the taxes are not paid within 30 days from publication, they shall be placed on the personal tax lien docket.

3. Other Information

A. Pension Plan

Plan Description. The County contributes to the Oklahoma Public Employees Retirement Plan (the Plan), a cost-sharing, multiple-employer defined benefit pension plan administered by the Oklahoma Public Employees Retirement System (OPERS). Benefit provisions are established and amended by the Oklahoma Legislature. The Plan provides retirement, disability, and death benefits to Plan members and beneficiaries. Title 74, Sections 901 through 943, as amended, establishes the provisions of the Plan. OPERS issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing OPERS, P.O. Box 53007, Oklahoma City, Oklahoma 73105 or by calling 1-800-733-9008.

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates.

B. Other Post Employment Benefits (OPEB)

In addition to the pension benefits described in the Pension Plan note, OPERS provides post-retirement health care benefits of up to \$105 each for retirees who are members of an eligible group plan. These benefits are funded on a pay-as-you-go basis as part of the overall retirement benefit. OPEB expenditure and participant information is available for the state as a whole; however, information specific to the County is not available nor can it be reasonably estimated.

**OTTAWA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

C. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, primarily the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time; although, the County expects such amounts, if any, to be immaterial.

As of the end of the fiscal year, there were no claims or judgments that would have a material adverse effect on the financial condition of the County; however, the outcome of any lawsuit would not be determinable.

D. Long Term Obligations

1. General Obligation Bonds

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. Debt service on the bonds will be paid from ad valorem taxes levied and assessed on behalf of the issuer and deposited to the Sinking Fund.

County General Obligation Limited Tax Bonds of 1987 – bonds in the amount of \$400,000 were issued July 1, 1987, to provide funds for the purpose of securing and developing industry within Ottawa County.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds are required to be fully paid within 25 years from the date of issue. General obligation bonds currently outstanding are as follows:

Purpose				Interest Rate	Original Amount
Ottawa County General Obligation Bonds of 1987				6.00%	\$400,000
Beginning Balance	Additions	Reductions	Ending Balance	Amount Due within one year	
\$85,000	\$-0-	\$15,000	\$70,000	\$15,000	

During fiscal year 2013, payments included \$15,000 for principal and \$4,650 for interest.

**OTTAWA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Annual debt service requirements to maturity for general obligation bonds, including interest of 6.00%, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2014	\$15,000	\$4,200	\$19,200
2015	15,000	3,300	18,300
2016	15,000	2,400	17,400
2017	15,000	1,500	16,500
2018	10,000	600	10,600
Total	\$70,000	\$12,000	\$82,000

E. Sales Tax

On September 15, 1992, Ottawa County voters approved a permanent one-half cent sales tax. The purpose of the tax is the construction, maintenance, and operation of a modern jail facility and operation of the Ottawa County Sheriff's Department. These funds are accounted for in the County General Fund.

On November 3, 1998, Ottawa County voters approved a permanent one-half cent sales tax effective January 1, 1999, for the construction, operation, and maintenance of the county road and bridge system of Ottawa County, Oklahoma. These funds are accounted for in the Highway ½ Cent Sales Tax fund.

On November 18, 2003, Ottawa County voters approved a one-tenth of one percent (1/10 of 1%) county sales tax in perpetuity and effective on or after April 1, 2004, which is to be used to fund the fire departments in Ottawa County, for purposes including, but not limited to equipment, general operations, maintenance, training and the construction of new fire department buildings or improvements to existing fire department buildings. These funds are accounted for in the Firefighter Sales Tax fund.

On December 13, 2005, Ottawa County voters approved a one-fourth of one percent (1/4 of 1%) county sales tax for the sole purpose to pay for acquiring, constructing, equipping, repairing, renovating, operating, and maintaining county courthouse facilities for Ottawa County, Oklahoma; and to pay the principal and interest on indebtedness incurred on behalf of the County by the Ottawa County Governmental Building Authority for such purposes. The effective date of this tax is April 1, 2006, and shall expire and cease to be collected when sufficient funds have been collected from said levy to retire such indebtedness or on April 1, 2036, whichever shall occur earlier. These funds are accounted for in the Courthouse Building Authority Sales Tax fund.

OTHER SUPPLEMENTARY INFORMATION

OTTAWA COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 1,051,618	\$ 1,051,618	\$ -
Less: Prior Year Outstanding Warrants	(115,191)	(115,191)	-
Less: Prior Year Encumbrances	(21,444)	(20,760)	684
Beginning Cash Balances, Budgetary Basis	<u>914,983</u>	<u>915,667</u>	<u>684</u>
Receipts:			
Ad Valorem Taxes	1,617,171	1,395,201	(221,970)
Charges for Services	78,331	337,890	259,559
Intergovernmental Revenues	564,007	557,193	(6,814)
Sales Tax	1,083,540	1,150,840	67,300
Miscellaneous Revenues	11,474	36,837	25,363
Total Receipts, Budgetary Basis	<u>3,354,523</u>	<u>3,477,961</u>	<u>123,438</u>
Expenditures:			
District Attorney	4,000	3,933	67
County Sheriff	1,352,813	1,352,665	148
County Treasurer	155,110	154,775	335
County Commissioner	120,919	119,015	1,904
County Commissioner O.S.U. Extension	61,997	48,421	13,576
County Clerk	302,613	297,267	5,346
Court Clerk	458,270	457,653	617
County Assessor	183,733	170,708	13,025
Revaluation of Real Property	135,079	135,079	-
General Government	1,209,301	460,984	748,317
Excise-Equalization Board	2,438	2,141	297
County Election Expense	136,072	131,225	4,847
Emergency Management	79,726	60,101	19,625
County Audit Budget Account	55,435	3,200	52,235
County Cemetery Account	500	500	-
Free Fair Budget Account	9,500	9,408	92
Provision for Interest on Warrants	2,000	-	2,000
Total Expenditures, Budgetary Basis	<u>4,269,506</u>	<u>3,407,075</u>	<u>862,431</u>
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	986,553	<u>\$ 986,553</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		1,091	
Add: Current Year Outstanding Warrants		134,023	
Add: Current Year Encumbrances		37,981	
Ending Cash Balance		<u>\$ 1,159,648</u>	

**OTTAWA COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY HEALTH DEPARTMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 266,154	\$ 266,154	\$ -
Less: Prior Year Outstanding Warrants	(2,198)	(2,198)	-
Less: Prior Year Encumbrances	(6,558)	(6,558)	-
Beginning Cash Balances, Budgetary Basis	257,398	257,398	-
Receipts:			
Ad Valorem Taxes	222,934	209,825	(13,109)
Charges for Service	-	24,257	24,257
Intergovernmental Revenues	-	7,390	7,390
Total Receipts, Budgetary Basis	222,934	241,472	18,538
Expenditures:			
Health and Welfare	480,332	117,383	362,949
Total Expenditures, Budgetary Basis	480,332	117,383	362,949
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	381,487	\$ 381,487
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		6,240	
Add: Current Year Outstanding Warrants		1,003	
Ending Cash Balance		\$ 388,730	

OTTAWA COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS—
REMAINING AGGREGATE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Beginning Cash Balances July 1, 2012	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2013
Remaining Aggregate Funds:				
Resale	\$ 156,036	\$ 157,133	\$ 124,156	\$ 189,013
Sheriff Service Fee	199,972	411,488	417,159	194,301
Sheriff Drug Abuse Resistance Education (DARE)	161	-	-	161
Sheriff DFCF	63	-	-	63
County Clerk Lien Fee	14,009	10,928	9,334	15,603
County Treasurer Mortgage Certification Fee	1,238	4,985	4,265	1,958
County Clerk Records Preservation	9,237	28,900	28,806	9,331
Sheriff Commissary	23,389	73,077	72,534	23,932
Sheriff Bond Fee	19,867	23,325	27,379	15,813
Child Abuse Prevention	7,250	19	-	7,269
County Assessor Revolving	10,592	1,799	1,773	10,618
Insurance Recovery Cash Fund	8	-	-	8
Hazard Mitigation	-	14,133	14,133	-
Littering Reward Fund	258	200	-	458
Combined Total - Remaining Aggregate Funds	\$ 442,080	\$ 725,987	\$ 699,539	\$ 468,528

**OTTAWA COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

1. Budgetary Schedules

The Comparative Schedules of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis for the General Fund and the County Health Department Fund present comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Combined Statement of Receipts, Disbursements, and Changes in Cash Balances with Combining Information because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances and outstanding warrants to their related budget year.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in these funds. At the end of the year unencumbered appropriations lapse.

2. Remaining County Funds

Remaining aggregate funds as presented on the financial statement are as follows:

Resale – accounts for the collection of interest and penalties on delinquent taxes and disbursement of funds as restricted by state statute.

Sheriff Service Fee – accounts for revenues from fees charged for serving summons and notices. Disbursements are for any lawful expense of the Sheriff's office.

Sheriff Drug Abuse Resistance Education (DARE) – accounts for revenues from donations for drug education. Disbursements are for payroll of officers who go into schools and teach Drug Abuse Resistance Education.

Sheriff DFCF – accounts for revenues from monies seized and forfeited to the Sheriff's office. Disbursements are for the maintenance and operation of the Sheriff's Drug Task Force.

County Clerk Lien Fee – accounts for revenues from a fee charged by the County Clerk for filing liens. Disbursements are for any lawful expense of the County Clerk's office.

County Treasurer Mortgage Certification Fee – accounts for revenues from a fee for certifying mortgages. Disbursements are for any lawful expense of the County Treasurer's office.

County Clerk Records Preservation – accounts for revenues from a fee charged by the County Clerk for recording instruments. Disbursements are for the maintenance and preservation of public records.

**OTTAWA COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Sheriff Commissary – accounts for revenues from profits of commissary sales in the County jail. Disbursements are for jail improvements.

Sheriff Bond Fee – accounts for revenues from a fee charged to all persons who post a surety bond and are subsequently incarcerated. Disbursements are for any legal expense of the jail.

Child Abuse Prevention – accounts for revenues from jury donations and interest earnings. Disbursements are for child abuse prevention.

County Assessor Revolving – accounts for the collection of fees for copies and disbursements as restricted by state statute.

Insurance Recovery Cash Fund – accounts for revenues from insurance claims filed by the County. Disbursements are for the replacement of items damaged in the courthouse.

Hazard Mitigation – accounts for federal grant revenues to assist in paying for the County hazard mitigation plan.

Littering Reward Fund – accounts for revenues from court clerk fees. Disbursements are for rewards paid to individuals providing information that leads to conviction of littering violators.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through the Oklahoma Department of Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	PA-06-OK-4117	\$ 5,448
Hazard Mitigation Grant (HMGP)	97.039	HM173	14,133
Emergency Management Performance Grants (EMPG)	97.042		10,000
Repetitive Flood Claims	97.092	RFC-PJ-06-2009-002	713,279
Total U.S. Department of Homeland Security			<u>742,860</u>
Total Schedule of Expenditures of Federal Awards			<u>\$ 742,860</u>

**OTTAWA COUNTY, OKLAHOMA
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Ottawa County, and is presented on the *cash basis of accounting*. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

INTERNAL CONTROL AND COMPLIANCE SECTION



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

TO THE OFFICERS OF
OTTAWA COUNTY, OKLAHOMA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined total—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Ottawa County, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statement, which collectively comprises Ottawa County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated June 8, 2017.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2013, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered Ottawa County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Ottawa County's internal control. Accordingly, we do not express an opinion on the effectiveness of Ottawa County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses: 2013-1, 2013-2, and 2013-5.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies: 2013-4, 2013-6, 2013-7, 2013-8, and 2013-9.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ottawa County's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters regarding statutory compliance that we reported to the management of Ottawa County, which are included in Section 4 of the schedule of findings and questioned costs contained in this report.

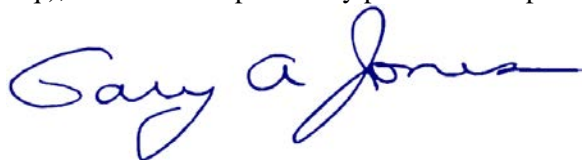
Ottawa County's Responses to Findings

Ottawa County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Ottawa County's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.



GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

June 8, 2017



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

TO THE OFFICERS OF
OTTAWA COUNTY, OKLAHOMA

Report on Compliance for Each Major Program

We have audited the compliance of Ottawa County, Oklahoma, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on Ottawa County's major federal program for the year ended June 30, 2013. Ottawa County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Ottawa County's management.

Auditor's Responsibility

Our responsibility is to express an opinion on Ottawa County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Ottawa County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Ottawa County's compliance with those requirements.

As described in item 2013-14 and 2013-15 in the accompanying schedule of findings, Ottawa County did not comply with requirements regarding Procurement and Suspension and Debarment and Real Property Acquisition and Relocation Assistance that are applicable to its Repetitive Flood Claims Grant. Compliance with such requirements is necessary, in our opinion, for Ottawa County to comply with the requirements applicable to that program.

Opinion on Each Major Federal Program

In our opinion, except for the noncompliance described in the preceding paragraph, the County, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.

Internal Control Over Compliance

Management of Ottawa County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Ottawa County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Ottawa County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 2012-12 and 2012-13 to be material weaknesses.

Other Matters

Ottawa County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Ottawa County's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, those charged with governance, others within the entity, and is not intended to be and should not be used by anyone other than the specified parties. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S., section 24A.1 et seq.), and shall be open to any person for inspection and copying.

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is written in a cursive style with a long horizontal stroke at the end.

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

June 8, 2017

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

SECTION 1—Summary of Auditor’s Results

Financial Statements

Type of auditor's report issued:.....Adverse as to GAAP; unqualified as to statutory presentation

Internal control over financial reporting:

- Material weakness(es) identified?..... Yes
- Significant deficiency(ies) identified? Yes

Noncompliance material to financial statements noted?..... None reported

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?..... Yes
- Significant deficiency(ies) identified? None reported

Type of auditor's report issued on
compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported
in accordance with section 510(a) of Circular A-133?..... Yes

Identification of Major Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
97.092	Repetitive Flood Claims Grant

Dollar threshold used to distinguish between
Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?..... No

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

SECTION 2—Findings related to the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Finding 2013-1 - Inadequate County-Wide Controls

Condition: County-wide controls regarding risk assessment and monitoring have not been designed.

Cause of Condition: Policies and procedures have not been designed and implemented to address risk assessment and monitoring of the County. The County was not fully aware of the benefits gained by the implementation of procedures regarding risk assessment and monitoring as it relates to the strengthening of its internal control structure.

Effect of Condition: Without an adequate system of county-wide controls, there is greater risk of a breakdown in control activities which could result in unrecorded transactions, undetected errors, or misappropriation of funds.

Recommendation: The Oklahoma State Auditor & Inspector's office (OSAI) recommends the County design and implement policies and procedures to identify and address risks. These procedures should be written policies and procedures and could be included in the County's Policies and Procedures Handbook.

Management Response:

Chairman of the Board of County Commissioners: The elected officials of Ottawa County will work to implement a policy that would establish controls mitigating the internal and external risks that the county faces. These controls will include each office writing and establishing a disaster recovery plan, and ensuring all key accounting duties, such as payroll, are properly segregated. Risks will be discussed throughout the year and as other risks arise, the County will work to implement controls to mitigate those risks. The County will review auditor recommendations and will take every possible step to ensure the County is adequately addressing risk and monitoring.

Criteria: Internal control is an integral component of an organization's management that provides reasonable assurance that the objectives of effectiveness and efficiency of operations, reliability of financial reporting and compliance with laws and regulations are being met. Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. County management is responsible for designing a county-wide internal control system comprised of control environment; risk assessment; information and communication; and monitoring for the achievement of these goals.

Risk Assessment is a component of internal control which should provide for an assessment of the risks the County faces from both internal and external sources. Once risks have been identified, they should be analyzed for their possible effect. Management then has to formulate an approach for risk management and

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

decide upon the internal control activities required to mitigate those risks and achieve the internal control objectives.

Monitoring is a component of internal control which should assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly resolved. Ongoing monitoring occurs during normal operations and includes regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties. It includes ensuring that management know their responsibilities for internal control and the need to make control monitoring part of their regular operating process.

Finding 2013-2 - Inadequate Internal Controls Over the Payroll Process (Repeat Finding)

Condition: Upon inquiry and observation of the County's payroll process, we noted the following weaknesses:

- Lack of segregation of duties over the payroll process – One person enrolls all new employees, removes terminated employees, updates employees' master files, maintains personnel files, prepares payroll, prints payroll warrants, and is the bank contact for direct deposit errors.

Cause of Condition Policies and procedures have not been designed and implemented with regard to segregation of duties and/or compensating internal controls over the payroll process.

Effect of Condition: This condition could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds.

Recommendation: OSAI recommends management be aware of these conditions and determine if duties can be properly segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approve accounting functions.

Management Response:

County Clerk: I was not in office during the period under audit. However, we have segregated the duties within payroll since I was elected. We now have one employee that is in charge of enrollment, another employee that updates employees' files, and still another employee that prepares and prints payroll warrants. Sometimes, preparing and printing warrants is done by two different employees as well.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of payroll calculations and/or transactions. To help ensure a proper accounting of funds, the duties of processing, authorizing, and payroll distribution should be segregated.

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Finding 2013-4 - Inadequate Internal Controls Over the Reconciliation of the Appropriation Ledger to the General Ledger

Condition: The County Clerk's appropriation ledger is not reconciled to the County Treasurer's general ledger on a monthly basis.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure reconciliations of the County Clerk's appropriation ledger to the County Treasurer's general ledger are performed on a monthly basis.

Effect of Condition: This condition could result in unrecorded transactions, misstated financial reports, undetected errors, misappropriation of assets, or clerical errors that are not detected in a timely manner.

Recommendation: OSAI recommends that the County Clerk's appropriation ledger be reconciled to the County Treasurer's general ledger on a monthly basis. The reconciliation should be reviewed and approved by someone other than the preparer, and documentation of the reconciliation should be maintained.

Management Response:

County Clerk: I was not in office during the period under audit and was unfamiliar with procedures.

County Treasurer: Procedures have been implemented to balance the County Clerk's appropriation ledger and the County Treasurer's general ledger for all County funds. The Treasurer gives the County Clerk the actual bank/fund balances and we match the reports at that time.

Criteria: Management is responsible for the development and maintenance of its internal control system. Effective internal controls are essential to provide reasonable assurance that the objectives of effectiveness and efficiency of operations, reliability of financial reporting and compliance with laws and regulations are being satisfied. An effective internal control system has in place policies and procedures that reduce the risk of errors and fraud within an organization. A key factor in this system is the reconciliation of the County Clerk's appropriation ledger to the County Treasurer's general ledger.

Finding 2013-5 - Inadequate Segregation of Duties Over the Collection Process in the County Treasurer's Office (Repeat Finding)

Condition: Upon inquiry and observation of the County's collection process, we noted that one person can take in collections, issue receipts, perform drawer close out and reconciliation, and prepare deposit with little or no review.

Cause of Condition: Policies and procedures have not been designed and implemented with regard to segregation of duties and/or compensating internal controls over the collection process.

Effect of Condition: This condition could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds.

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Recommendation: OSAI recommends management be aware of these conditions and determine if duties can be properly segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approve accounting functions.

Management Response:

County Treasurer: After closing out each day, each cashier's report is passed to another cashier and checked for accuracy. Starting in fiscal year 2017, whoever is doing the final closeout and making the deposit for the bank, their drawer and report is checked by another cashier.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. An important aspect of internal controls is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions, and safeguarding assets from misappropriation. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, depositing cash and checks, and reconciliations should be segregated.

Finding 2013-6 - Inadequate Internal Controls Over 911 Fee Collections

Condition: On November 25, 1991, the Ottawa County E-911 Governing Authority (the Authority) was created to provide for the collection of, monitoring and safeguarding of public funds collected to pay for the installation and maintenance of the E-911 equipment and the installation and maintenance of the line and equipment for Enhanced 911 service for Ottawa County. Furthermore, Title 63 O.S. § 2843.2L states "within thirty (30) days of receipt, the Oklahoma Tax Commission shall pay all remitted prepaid wireless nine-one-one fees to the governing bodies that the Statewide Nine-One-One Advisory Board has certified as eligible to receive funds. Such certification shall be provided to the Oklahoma Tax Commission annually before July 1. Eligible governing bodies shall be those governing bodies that have imposed, and are collecting, the nine-one-one emergency wireless telephone fee as authorized in subsection A of Section 2843.1 of Title 63 of the Oklahoma Statutes."

In fiscal year 2013, the Ottawa County Board of County Commissioners was the certified eligible governing body to receive the E-911 funds. The Oklahoma Tax Commission (OTC) remitted \$21,634.74 to the Ottawa County Treasurer; however, the County Treasurer did not receive these funds as OTC had been notified to remit the funds to "the Authority's" bank account named "Ottawa County Treasurer, E-911 Trust, ATTN: Reba Sill" (trust account).

OSAI obtained the trust account bank statements from the Authority and confirmed \$21,634.74 was deposited in to the trust account.

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Cause of Condition: Policies and procedures have not been designed and implemented to ensure County funds are remitted to the County and deposited in a bank account under the direct supervision of the County Treasurer.

Effect of Condition: County funds were remitted to and deposited in the Authority's bank without knowledge of the Board of County Commissioners or the County Treasurer.

Recommendation: OSAI recommends the County establish policies and procedures to ensure all County funds are remitted to and deposited by the County. OSAI also recommends the County provide OTC with the correct bank account information so that E-911 monies will be remitted directly to the County and not the Authority.

Management Response:

Chairman of the Board of County Commissioners: A contract will be created between Ottawa County and the E-911 Authority for fiscal year 2017-2018 that will allow deposits to channel through the Ottawa County Treasurer's office. The Ottawa County Clerk's office will then appropriate the funds, create a purchase order and then issue a warrant for the funds that were deposited during that month.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of transactions.

Title 63 O.S. § 2843.2L states, "within thirty (30) days of receipt, the Oklahoma Tax Commission shall pay all remitted prepaid wireless nine-one-one fees to the governing bodies that the Statewide Nine-One-One Advisory Board has certified as eligible to receive funds. Such certification shall be provided to the Oklahoma Tax Commission annually before July 1. Eligible governing bodies shall be those governing bodies that have imposed, and are collecting, the nine-one-one emergency wireless telephone fee as authorized in subsection A of Section 2843.1 of Title 63 of the Oklahoma Statutes."

Finding 2013-7 - Accounts Excluded from the General Ledger

Condition: Upon inquiry and review of the general ledger, it was noted that two bank accounts filed under the County's name and tax identification number (EIN) are not recorded on the County Treasurer's general ledger. Additionally, monthly bank reconciliations are not being performed on the following accounts.

- Tulsa Teachers Credit Union
- The EFTPS

Furthermore, it was noted that the NADING official depository investment was closed, but was still listed on the general ledger, causing the general ledger to be overstated by \$18,944.39.

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Cause of Condition: Policies and procedures have not been designed and implemented to ensure an accurate recording of all investments and bank accounts on the County Treasurer's general ledger.

Effect of Condition: These conditions resulted in the overstatement of the general ledgers balances and could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds.

Recommendation: OSAI recommends that any accounts or investments recorded under the County's tax identification number be included on the general ledger, be reconciled on a monthly basis and in a timely manner, and all bank reconciliations reflect an indication of review and approval by someone other than the preparer.

Management Response:

County Treasurer: Both the Tulsa Teachers Credit Union and the EFTPS accounts have been included on the general ledger. Currently, interest earned is applied to each account as received and the accounts are being reconciled monthly. Additionally, when the issue with the NADING was brought to my attention in May of 2014, this error was corrected.

Criteria: To help ensure a proper accounting of funds, all bank accounts and investments identified with the County's tax identification number should be included on the general ledger. Bank reconciliations should be performed on a monthly basis and reviewed and approved by someone other than the preparer and include an indication of review.

Finding 2013-8 - Violation of Oklahoma Open Records Act

Condition: The payroll claims and payroll affidavits for one hundred and twenty-three (123) of the payroll expenditures could not be located in the County Clerk's files as follows:

- Twenty-eight (28) for fiscal year 2013,
- Forty (40) for fiscal year 2014, and
- Fifty-five (55) for fiscal year 2015.

Upon engaging with Ottawa County, management signed the engagement letter which stated "Management is ... responsible for making all financial records and related information available to us and for ensuring that management is reliable and financial information is reliable and properly recorded." All County officials were considered management; however, the County Clerk's (Clerk) first deputy signed the letter in lieu of the Clerk as the Clerk did not attend the engagement meeting. OSAI also learned that during fiscal year 2015 and 2016, the Clerk primarily worked from home and would not be seeking re-election.

Around June 13th, 2016, OSAI requested a sample of fiscal year 2013, 2014, and 2015 expenditures to examine. Of the two hundred and one (201) expenditures selected to test, one hundred and twenty-four (124) were payroll expenditures. When OSAI attempted to obtain the support documentation for the payroll

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

expenditures, the payroll claims and payroll affidavits for one hundred and twenty-three (123) of the payroll expenditures could not be located in the County Clerk's files.

When the Clerk's deputies were unable to locate the documentation, the first deputy stated she would ask the Clerk (who was working from home) if she knew where the documentation was. OSAI was not notified whether or not the Clerk knew where the documentation was.

On June 30th, 2016, the day after the County primary elections, an OSAI auditor encountered the Clerk returning documents to the courthouse. Upon inquiry, the auditor learned that the Clerk was returning county documents from her home, including the payroll claims and affidavits that were missing. The Clerk stated that she had taken this documentation home because she wanted to make them look "nice and neat" for the auditors.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure all County records are adequately safeguarded and are readily available within the Ottawa county courthouse.

Effect of Condition: This condition resulted in County records not being readily available for auditing purposes and the County Clerk possibly violating the Oklahoma Open Records Act.

Recommendation: OSAI recommends management implement policies and procedures designed to keep and maintain complete records of all receipts and expenditures of any public funds, to include purchase orders, payroll claims and affidavits, and any and all additional support documentation. OSAI further recommends that in the event County records must be removed from County premises, management establish policies and procedures to document what documentation is being removed, the reason and date of the removal, and who is in custody of the documentation.

Management Response:

Chairman of the Board of County Commissioners: Ottawa County will implement policies and procedures to maintain and keep complete records of receipts and expenditures of all public funds to include all supporting documentation on file at the proper office directed to maintain this information at all times. No original documents will be allowed to leave said office unless requested by our legal counsel such as the district attorney. Written requests, as per legal counsel will be the only exception and then only a copy of said document will be released.

County Clerk: I was not County Clerk at this time as I did not take office until after the June 30, 2016 election, and was not familiar with the procedures.

Criteria: Title 19 O.S. § 245.A states in part, "It shall be the duty of the county clerk to designate upon every account, which shall be audited and allowed by the board, the amount so allowed, and the clerk shall deliver to any person a copy certified or otherwise of any record in the clerk's office and any account on file thereon..."

Title 51 O.S. § 24A.4 states, "In addition to other records which are kept or maintained, every public body and public official has a specific duty to keep and maintain complete records

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

of the receipt and expenditure of any public funds reflecting all financial and business transactions relating thereto, except that such records may be disposed of as provided by law.”

Title 51 O.S. § 24A.5 states in part, “All records of public bodies and public officials shall be open to any person for inspection, copying, or mechanical reproduction during regular business hours” [exceptions follow]...

Furthermore, part 5 of Title 51 O.S. § 24A.5 states “a public body must provide prompt, reasonable access to its records but may establish reasonable procedures which protect the integrity and organization of its records and to prevent excessive disruptions of its essential functions. Any public body which makes the requested records available on the Internet shall meet the obligation of providing prompt, reasonable access to its records as required by this paragraph.”

Finding 2013-9 - Conflict of Interest – Holding of Dual Offices

Condition: The County Clerk was hired by the E-911 Trust Authority to serve as the Authority’s Clerical Administrator. Her duties for the Authority consist of preparing payroll, agendas, deposit, bank reconciliations, and any and all correspondence; maintaining accounts payable and files for history and audit purposes; assisting with the budget process; and taking minutes of meetings. In fiscal year 2013, the County Clerk received net pay in the amount of \$13,350.24 for these services.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure no one person holds offices within both the County and any of the County’s political subdivisions.

Effect of Condition: It appears the County Clerk may have violated Title 51 O.S. § 6.

Recommendation: OSAI recommends policies and procedures be established to ensure elected officials and their deputies do not hold other positions within the County or its political subdivisions that would be in violation of Title 51 O.S. § 6.

Management Response:

Chairman of the Board of County Commissioners: This issue will be placed on our agenda for discussion related to amending our policies and procedures to address the conflict of interest of dual office holding to ensure that no elected officials and their deputies are not eligible to hold other positions within the county or its political subdivisions that would be in violation of Title 51 O.S. § 6.

Criteria: Title 51 O.S. § 6 prohibits any person “holding an office under the laws of the state” and any “deputy of any officer so holding any office” from “hold[ing] any other office[,] or be[ing] the deputy of any officer holding any office, under the laws of the state” “during the person’s term of office”.

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

SECTION 3—Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

Finding 2013-12 – Lack of County-Wide Controls Over Major Federal Programs (Repeat Finding)

FEDERAL AGENCY: U.S. Department of Homeland Security

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

CFDA NO: 97.092

FEDERAL AWARD NUMBER: RFC-PJ-06-OK-2009-002

FEDERAL PROGRAM NAME: Repetitive Flood Claims

FEDERAL AWARD YEAR: 2013

CONTROL CATEGORY: Activities Allowed or Unallowed, Allowable Cost/Cost Principles, Cash Management, Eligibility, Equipment and Real Property Management, Procurement and Suspension and Debarment, Real Property Acquisition and Relocation Assistance, Reporting

QUESTIONED COSTS: \$-0-

Condition: County-wide controls regarding Control Environment, Risk Assessment, Information and Communication, and Monitoring have not been designed.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the County is in compliance with grant requirements.

Effect of Condition: This condition resulted in noncompliance with grant requirements.

Recommendation: OSAI recommends that the County implement a system of internal controls to ensure compliance with grant requirements.

Management Response:

Chairman of the Board of County Commissioners: Ottawa County will make sure their county leaders as well as the purchasing staff are knowledgeable about the policies and procedures related to any and all grants.

Criteria: Internal control is an integral component of an organization's management that provides reasonable assurance that the objectives of effectiveness and efficiency of operations, reliability of financial reporting and compliance with laws and regulations are being made. Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. County management is responsible for designing a county-wide internal control system comprised of Control Environment, Risk Assessment, Information and Communication, and Monitoring for the achievement of these goals.

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Finding 2013-13 - Inadequate Internal Controls Over Major Federal Programs

FEDERAL AGENCY: U.S. Department of Homeland Security

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

CFDA NO: 97.092

FEDERAL PROGRAM NAME: Repetitive Flood Claims

FEDERAL AWARD NUMBER: RFC-PJ-06-OK-2009-002

FEDERAL AWARD YEAR: 2013

CONTROL CATEGORY: Procurement and Suspension and Debarment, Real Property Acquisition and Relocation Assistance, Reporting

QUESTIONED COSTS: \$-0-

Condition: During the process of documenting the County's internal controls regarding federal disbursements, we noted the County has not established internal controls to ensure compliance with the following compliance requirements: Procurement and Suspension and Debarment, Real Property Acquisition and Relocation Assistance, Reporting.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure compliance with OMB A-133.

Effect of Condition: This condition resulted in noncompliance with grant requirements.

Recommendation: OSAI recommends the County gain an understanding of requirements for these programs and implement internal controls to ensure compliance with requirements. OSAI, further, recommends the County utilize available resources, such as the website, www.cfda.gov, to develop controls to ensure compliance with restrictions and guidelines set forth for the types of grants received.

Management Response:

Chairman of the Board of County Commissioners: Ottawa County will make sure their county leaders as well as the purchasing staff are knowledgeable about the policies and procedures related to any and all grants.

Criteria: *OMB A-133, Subpart C, §____.300(b)* reads as follows:

Subpart C—Auditees

§____.300 Auditees responsibilities.

The auditee shall:

(b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

Further, accountability and stewardship should be overall goals in management's accounting of federal funds. Internal controls should be designed to monitor compliance with laws and regulations pertaining to grant contracts.

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Finding 2013-14 - Noncompliance with Procurement and Suspension and Debarment (Repeat Finding)

COUNTY: Ottawa

FEDERAL AGENCY: U.S. Department of Homeland Security

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

CFDA NO: 97.092

FEDERAL PROGRAM NAME: Repetitive Flood Claims

FEDERAL AWARD NUMBER: RFC-PJ-06-OK-2009-002

FEDERAL AWARD YEAR: 2013

CONTROL CATEGORY: Procurement and Suspension and Debarment

QUESTIONED COSTS: \$-0-

Condition: Non-federal entities are prohibited from contracting with or making subawards to parties that are suspended or debarred. The contract between Ottawa County (the County) and Oklahoma Department of Emergency Management (OEM) specifically noted that the County “will not to enter into any contract with any party debarred or suspended from participating in federal assistance programs.”

The County did not verify that the vendors they entered into contract with for the Repetitive Flood Claims project were not debarred, suspended, proposed for debarment, or declared ineligible for the award of contracts by any Federal agency.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure vendors are not debarred, suspended, proposed for debarment, or declared ineligible for the award of contracts by any federal agency prior to the County entering into agreements with those vendors.

Effect of Condition: This condition resulted in noncompliance with federal grant compliance requirements. Further, Ottawa County may be liable for any federal awards received for reimbursement of a vendor who is debarred, suspended, proposed for debarment, or declared ineligible for the award of contracts by any federal agency.

Recommendation: OSAI recommends management develop and implement policies and procedures to ensure vendors are not debarred, suspended, proposed for debarment, or declared ineligible for the award of contracts by any federal agency.

Management Response:

Chairman of the Board of County Commissioners: Ottawa County will make sure their county leaders as well as the purchasing staff are knowledgeable about the policies and procedures related to any and all grants. Ottawa County will also check on all prospective vendors as to their status as a vendor for federal and/or state funded projects.

Criteria: A-133 Compliance Supplement - Part Three states in relevant part “...non-federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred...”

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

The contract between Ottawa County and Oklahoma Department of Emergency Management dated November 23, 2009, states in relevant part, “The applicant will not enter into any contract with any party debarred or suspended from participating in Federal assistance programs.

Finding 2013-15 - Noncompliance with Real Property Acquisition and Relocation Assistance

FEDERAL AGENCY: U.S. Department of Homeland Security

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

CFDA NO: 97.092

FEDERAL PROGRAM NAME: Repetitive Flood Claims

FEDERAL AWARD NUMBER: RFC-PJ-06-OK-2009-002

FEDERAL AWARD YEAR: 2013

CONTROL CATEGORY: Real Property Acquisition and Relocation Assistance

QUESTIONED COSTS: \$692,349

Condition: The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, (URA) provides for uniform and equitable treatment of persons displaced by federally assisted programs from their homes, businesses, or farms. Property acquired must be appraised by qualified independent appraisers. All appraisals must be examined by a review appraiser to ensure acceptability. After acceptance, the review appraiser certifies the recommended or approved value of the property for establishment of the offer of just compensation to the owner. There is no evidence that appraisals were examined or certified by a review appraiser.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure federal expenditures are made in accordance with federal compliance requirements.

Effect of Condition: This condition resulted in noncompliance to grant requirements and could lead to loss of federal funds to the County.

Recommendation: OSAI recommends management gain an understanding of the requirements for this program and implement internal controls to ensure compliance with federal requirements.

Management Response:

Chairman of the Board of County Commissioners: Ottawa County will make sure their county leaders as well as the purchasing staff are knowledgeable about the policies and procedures related to any and all grants.

Criteria: A-133 Compliance Supplement - Part Three states in relevant part “...The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, (URA) provides for uniform and equitable treatment of persons displaced by federally assisted programs from their homes, businesses, or farms. Property acquired must be appraised by qualified independent appraisers. All appraisals must be examined by a review appraiser to ensure acceptability. After acceptance, the review

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

appraiser certifies the recommended or approved value of the property for establishment of the offer of just compensation to the owner.”

SECTION 4—This section contain a certain matter not required to be reported in accordance with *Government Auditing Standards*. However, we believe this matter is significant enough to bring to management’s attention. We recommend that management consider this matter and take appropriate corrective action.

Finding 2013-16 – Inadequate Internal Controls and Noncompliance Over Inmate Trust Fund Checking Account and Sheriff Commissary Fund

Condition: Based on an examination of the Inmate Trust Fund Checking Account and Sheriff Commissary Fund, the following exceptions were noted:

- The key to the safe, in which inmates’ money is held until deposited at the bank, is maintained on the office manager’s desk and easily accessed by all.
- Collections are not deposited into the Inmate Trust Fund Checking Account on a daily basis.
- The June 30, 2013 reconciliation of Inmate Trust Fund Ledger to the Inmate Trust Fund Checking Account showed an unidentified adjustment to the Ledger of \$29,299.
- The annual Commissary Report is not filed with the Board of County Commissioners by January 15th.

Cause of Condition: Policies and procedures have not been designed and implemented regarding the Inmate Trust Fund Checking Account and Sheriff Commissary Fund.

Effect of Condition: These conditions resulted in noncompliance with state statutes. Also, without proper accounting and safeguarding of the Inmate Trust Fund Checking Account, there is an increased risk of misappropriation of funds.

Recommendation: OSAI recommends the following:

- All collections should be maintained in a secure location with limited access.
- Daily collections should be deposited to the Inmate Trust Fund Checking Account on a daily basis.
- Inmate trust fund monies should be maintained in a manner that reflects each inmate’s trust deposits, disbursements, and account balances. The inmate’s ledger balances should be reconciled to the bank statements each month and any and all variances should be explained.
- The Sheriff should file a report of the commissary with the Board of County Commissioners by January 15th, of each year.

Management Response:

County Sheriff: I was not Sheriff during this time. Immediate appropriate action will be taken to properly secure the inmate’s money in the safe and to start making daily deposits of these collections. The sheriff’s office will also submit commissary reports by the designated date.

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Criteria: Accountability and stewardship are overall goals of management in accounting of funds. To help ensure a proper accounting of funds, collections should be maintained in a secure environment and deposited at the bank on a daily basis. In addition, bank reconciliations should be performed accurately each month and all reconciling items be identified and confirmed.

Title 19 O.S. § 180.43D requires that an annual report of the Sheriff's Commissary be submitted to the Board of County Commissioners by January 15th of the subsequent year.

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Finding 2011-03 – Inadequate Internal Controls Over Compliance Requirement – Procurement and Suspension and Debarment – Hazard Mitigation Grant (Repeat Finding)

Pass-Through Grantor: Oklahoma Department of Emergency Management

Federal Agency: U.S. Department of Homeland Security

CFDA No: 97.039

Federal Program Name: Hazard Mitigation Grant

Federal Award Number: SRL-PJ-06 OK-2008-011, RFC-PJ-06 OK-2009-002

Federal Award Year: 2011

Control Category: Procurement and Suspension and Debarment

Questioned Costs: \$-0-

Finding Summary: Ottawa County did not verify if vendors are debarred, suspended, proposed for debarment, or declared ineligible for the award of contracts by any federal agency.

Status: Finding 2011-03 was not corrected resulting in similar findings 2013-13 and 2013-14.

Finding 2011-04 – Inadequate Internal Controls Over Schedule of Expenditures of Federal Awards - Disaster Grants - Public Assistance (Presidentially Declared Disasters) (Repeat Finding)

Pass-Through Grantor: Oklahoma Department of Emergency Management

Federal Agency: U.S. Department of Homeland Security

CFDA No: 97.036

Federal Program Name: Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Federal Award Number: DR- 1876, DR-1883, DR-1985

Federal Award Year: 2011

Control Category: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; and Special Tests and Provisions

Questioned Costs: \$-0-

Finding Summary: The County has not designed and implemented formal procedures for the reporting of its major federal programs as required by OMB Circular A-133.

Status: Although this program was not determined to be a major program, it appears the County has made great strides in the reporting of all its federal revenues and expenditures. The fiscal year 2013 Schedule of Expenditures of Federal Awards only had a minor variance between actual expenditures and expenditures reported which did not result in a finding.

Finding 2010-03 – Inadequate Internal Controls Over Compliance Requirement – Procurement and Suspension and Debarment – Hazard Mitigation Grant

Pass-Through Grantor: Oklahoma Department of Emergency Management

Federal Agency: U.S. Department of Homeland Security

CFDA No: 97.039

Federal Program Name: Hazard Mitigation Grant

Federal Award Number: 1355

Federal Award Year: 2010

Control Category: Procurement and Suspension and Debarment

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Questioned Costs: \$-0-

Finding Summary: Ottawa County did not verify if vendors are debarred, suspended, proposed for debarment, or declared ineligible for the award of contracts by any federal agency.

Status: Finding 2010-03 was not corrected resulting in similar finding 2013-13 and 2013-14.

Finding 2010-04 – Inadequate Internal Controls Over Schedule of Expenditures of Federal Awards - Disaster Grants - Public Assistance (Presidentially Declared Disasters) (Repeat Finding)

Pass-Through Grantor: Oklahoma Department of Emergency Management

Federal Agency: U.S. Department of Homeland Security

CFDA No: 97.036

Federal Program Name: Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Federal Award Number: DR-1876, DR-1883

Federal Award Year: 2008, 2009, 2010

Control Category: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; and Special Tests and Provisions

Questioned Costs: \$-0-

Finding Summary: The County has not designed and implemented formal procedures for the reporting of its major federal programs as required by OMB Circular A-133.

Status: Although this program was not determined to be a major program, it appears the County has made great strides in the reporting of all its federal revenues and expenditures. The fiscal year 2013 Schedule of Expenditures of Federal Awards only had a minor variance between actual expenditures and expenditures reported which did not result in a finding.



OFFICE OF THE STATE AUDITOR & INSPECTOR
2300 N. LINCOLN BOULEVARD, ROOM 100
OKLAHOMA CITY, OK 73105-4896

WWW.SAI.OK.GOV